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COME-00 DODE-00 FRB-01 H-01 INR-07 INT-05 L-02 LAB-04

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TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

USCINCSO

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E.O. 11652: N/A

TAGS: ETRD, XM

SUBJECT: LATIN AMERICA, THE TRADE ACT AND GSP

REF: STATE 279285, STATE 282968, STATE 282967,
STATE 3593, STATE 5708, STATE 5883

FOR AMBASSADOR FROM ARA:ROGERS

1. THE TRADE ACT'S BASIC IMPORTANCE AND ITS POTENTIAL
POSITIVE IMPORT ON US-LA TRADE HAS UNFORTUNATELY BEEN
OVERSHADOWED BY ADVERSE REACTION AND APPREHENSION RAISED
IN SOME LATIN AMERICAN COUNTRIES OVER A FEW PROVISIONS.
HOWEVER, WE ARE PLEASED TO NOTE THE INCREASING AWARENESS OF
POTENTIAL IMPORTANCE FOR IMPROVED US-LA RELATIONS.

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REFTELS HAVE INDICATED ENACTMENT OF TRADE ACT MARKS AN

HISTORIC STEP BY THE US CONGRESS AND EXECUTIVE. TRADE ACT GIVES US THE AUTHORITY TO ENTER INTO COMPREHENSIVE MULTILATERAL TRADE NEGOTIATIONS WITH BOTH THE DEVELOPED AND DEVELOPING COUNTRIES AS OUTLINED IN THE TOKYO DECLARATION OF SEPTEMBER 1973. BESIDES SEEKING AN EXPANSION AND LIBERALIZATION OF WORLD TRADE, THE TOKYO DECLARATION COMMITTED ALL COUNTRIES TO SECURE ADDITIONAL BENEFITS FOR THE INTERNATIONAL TRADE OF THE DEVELOPING COUNTRIES DURING THE NEGOTIATIONS. REFORM AND LIBERALIZATION OF THE GLOBAL TRADING SYSTEM IS A COMMON OBJECTIVE

IN WHICH WE ALL CAN SHARE. LOWERING OF TARIFF AND NON-TARIFF BARRIERS ON MFN BASIS DURING MTN WILL BE OF ECONOMIC BENEFIT TO ALL COUNTRIES, INCLUDING THE LATIN AMERICANS. IT IS ESPECIALLY IMPORTANT IN THIS TIME OF MALAISE IN THE INTERNATIONAL ECONOMIC SYSTEM THAT COUNTRIES ENGAGE THEMSELVES IN THE PROCESS OF NEGOTIATING A MORE LIBERAL TRADING SYSTEM. IT IS THE BEST MEANS TO DISSUADE COUNTRIES FROM APPLYING AUTARKIC, BEGGAR THY NEIGHBOR POLICIES TO RESOLVE THEIR INDIVIDUAL TRADE AND BALANCE OF PAYMENTS PROBLEMS. SUCH POLICIES WOULD LEAD TO THE CLOSING OF MARKETS, ESPECIALLY IN THE DEVELOPED COUNTRIES, AND WOULD HAVE SIGNIFICANT ADVERSE EFFECT ON THE EFFORTS OF THE LATIN AMERICAN COUNTRIES TO MAINTAIN AND INCREASE THEIR LEVEL OF EXPORTS.

2. THE TRADE ACT ALSO GIVES THE USG AUTHORITY TO IMPLEMENT A SYSTEM OF GENERALIZED TARIFF PREFERENCES (GSP) FOR DEVELOPING COUNTRIES, THUS REDEEMING A U.S. PLEDGE TO IMPLEMENT SUCH A SYSTEM FIRST MADE IN OCTOBER 1969. WE SOON WILL SEND A PROPOSED GSP PRODUCT LIST TO THE INTERNATIONAL TRADE COMMISSION FOR REVIEW WHICH IS EXPECTED TO TAKE SIX MONTHS. WE WOULD HOPE TO HAVE OUR SYSTEM OF GSP IN OPERATION BY NEXT JULY OR AUGUST, FOLLOWING FINAL REVIEW WITHIN USG. WE HAVE SOLICITED REQUESTS FROM LATIN AMERICA AND HELD CONSULTATIONS WITH THEM IN THE OAS/SCCN ON PRODUCTS OF PARTICULAR INTEREST TO THEM, AND HAVE INCLUDED SUCH PRODUCTS IN OUR PROPOSED LIST WHEREVER FEASIBLE. WE BELIEVE THAT THE NUMBER OF PRODUCTS INCLUDED IN THE FINAL LIST WILL BE CONSIDERABLY GREATER THAN THE LIMITED OFFICIAL USE

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ILLUSTRATIVE LIST THE USG PREPARED IN 1970 FOR SUBMISSION TO UNCTAD AND THE OECD AND WILL INCLUDE A LARGE NUMBER OF PRODUCTS OF INTEREST TO LATIN AMERICA.

3. INITIAL CRITICISM OF THE TRADE ACT HAS CENTERED ON A PROVISION OF THE GSP WHICH COULD EXCLUDE OPEC MEMBER COUNTRIES, SPECIFICALLY VENEZUELA AND ECUADOR, FROM SHARING IN GSP. BOTH SECRETARY KISSINGER IN HIS TESTIMONY

BEFORE THE SENATE FINANCE COMMITTEE ON DECEMBER 3 AND I IN MY TESTIMONY BEFORE THE SENATE OPERATIONS COMMITTEE ARGUED AGAINST THE INCLUSION OF SUCH NON-FLEXIBLE CONDITIONS. PRESIDENT FORD NOTED WHEN HE SIGNED THE TRADE ACT ON JANUARY 3 THAT "...I REGRET THE RIGIDITY AND UNFAIRNESS IN THESE PROVISIONS, ESPECIALLY WITH RESPECT TO CERTAIN OIL PRODUCING COUNTRIES... IN THE SPIRIT OF COOPERATION WITH THE CONGRESS, I WILL DO MY BEST TO WORK OUT ANY NECESSARY ACCOMMODATIONS." THIS POSITION WAS AMPLIFIED IN STATE 5883. WE ARE HOPEFUL THAT DISCUSSIONS WITH THE CONGRESS WILL LEAD TO SOME INTERPRETATION OR ACTION THAT WILL RESOLVE THIS SITUATION. HOWEVER, IT

SHOULD BE RECOGNIZED THAT THE ACTION OF THE CONGRESS REFLECTED WIDESPREAD AND DEEPLY FELT EMOTIONS IN THE CONGRESS AND AMONG THE U.S. PUBLIC AT LARGE AT THE ACTIONS OF THE OPEC OIL CARTEL WHICH ARE CAUSING SERIOUS DISRUPTION TO THE INTERNATIONAL ECONOMIC SYSTEM. IT IS OUR CURRENT JUDGEMENT THAT THERE ARE NO, REPEAT NO, OTHER CARTEL ARRANGEMENTS THAT WOULD BE INELIGIBLE FOR GSP UNDER THE PROVISION OF TA.

4. I HOPE THAT IN YOUR DISCUSSIONS WITH HOST GOVERNMENT OFFICIALS YOU WILL POINT OUT THE BENEFITS THAT WILL ACCRUE TO THE LATIN AMERICAN COUNTRIES BOTH FROM THE MULTILATERAL TRADE NEGOTIATIONS AND FROM OUR SYSTEM OF GSP. WE LOOK FORWARD TO WORKING CLOSELY WITH THE LATIN AMERICANS ON TRADE ISSUES BOTH IN THE MTN AND CONCERNING GSP AND BILATERAL TRADE ISSUES. AN INTERDEPARTMENTAL LATIN AMERICAN SUBGROUP ON TRADE IS IN PLACE WITHIN THE USG TO REVIEW TRADE ISSUES FROM THE LATIN AMERICAN VIEWPOINT. WE WILL BE SENDING YOU ADDITIONAL GUIDANCE AS THE SITUATION DEVELOPS. USIS WILL BE SENDING AN INFO LIMITED OFFICIAL USE

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GUIDE TO YOU SOON ENTITLED "THE TRADE ACT OF 1974", AND THE WASHINGTON POST JANUARY 12 EDITORIAL "THE LATINS READ THE TRADE BILL" IS ALSO EXCELLENT AND SHOULD BE BROUGHT TO THE ATTENTION OF YOUR HOST GOVERNMENTS AND LOCAL MEDIA. (STATE 7853) WE ARE ARRANGING A HIGH LEVEL BRIEFING FOR LATIN AMERICAN AND OAS AMBASSADORS IN THE DEPARTMENT FOR TUESDAY AFTERNOON, JANUARY 14. A MEMORANDUM WILL BE DISTRIBUTED TO THE AMBASSADORS AT THAT TIME ON THE BENEFITS TO LATIN AMERICA OF THE TRADE ACT. YOU WILL RECEIVE IT BY TELEGRAM.

5. PRINTED COPIES OF THE TRADE ACT ARE NOT YET AVAILABLE FROM THE GOVERNMENT PRINTING OFFICE, BUT WE WILL AIR POUCH THEM TO YOU AS SOON AS THEY ARE AVAILABLE. KISSINGER

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